

PHILIP MORRIS U.S.A.

INTER-OFFICE CORRESPONDENCE  
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TO: Larry Glennie

DATE: August 22, 1990

FROM: Ted Costas

SUBJECT: MILITARY MARKET DELAY STRATEGY - BUCKS INTRODUCTION

There are three main reasons for the delay in the national Bucks introduction of the CONUS military market. The priority reason being the number of PM value/AAV packings eligible for distribution in this market. With the addition of the two new Bucks packings, PM will have a total of 30 value price brands! In commissaries, the fixture SOS for individual packings is arranged by case lots; 30 front facings and 30 backup. In the value price area, there are usually two 20 case fixtures (40 case slots). Philip Morris does 18% of this segment and to shorten the story, we have a distribution problem. It makes it very hard to add Bucks in commissaries at this time. Since we are gaining share in this market, we will add Bucks on a gradual basis. Therefore, as in the beginning of every introduction, we will target exchanges first beginning with independent C.G. and Marine outlets. Fixture space in these accounts are allocated by rows of Bucks (double depth -- 30 cartons each packing).

The second reason is that Bristol distribution must remain our priority for two more months thru October 31. Bristol brand family sales are steam rolling now with our best sales month being July with 17.6 million units. The low carton price of Bristol makes it a commissary shopper's dream and is gaining establishment quickly.

The third reason is the PM military price increase due on October 1. Exchanges will be loading in with mostly full margin brands in September and October. This is no time for a value brand introduction since all the money is being used on major brands purchases.

Special Note

Cambridge and Alpine carton prices will be raised \$2.00 per 1000-85s and \$2.20 per 1000-100s making their per carton price \$6.25 for 85s and \$6.49 for 100s. The introductory price of Bucks 85s (no 100s) in the elements memo is 5.85 with a September 17 start. For exchanges this would mean a fifth

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pricing tier which they will not do. They would sell the Bucks at the higher retail value carton price charged for Doral, Cambridge, Richland etc. Therefore, when we go up in price next week, I propose we list Bucks at the new October 1 carton price and make more money!

Our military introduction should start on November 1 and continue through December 31 to get the volume in 1990. We could have meetings in early October (exact dates TBA). I have notified Arthur Goldfarb to send all coupons, incentives and complimentary packs for B1G1F and 5 for 2 deals along with POS/displays now with retail intro shipments. In this way, the AMMS will hold the materials for November usage and we won't be shorted on supplies.

Awaiting your approval.

TC:itm

cc: B. Coombs  
A. Goldfarb ✓

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